

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Number: 201951006
Release Date: 12/20/2019

Employer Identification Number:

Contact person - ID number:

Date: September 24, 2019

Contact telephone number:

LEGEND

T = Number
U = County
W = County
X = County
Y = County
Z = State

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code Section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code Section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program. The purpose of your scholarship program is to award scholarships to students in grades Pre-K through 12th grades who are enrolled in or have been accepted by independent schools located in U, W, X, and Y counties.

Scholarships will be used for qualified educational purposes such as tuition, fees and purchase of required course materials at the independent schools. You will publicize the scholarship program in independent schools located in U, W, X, and Y. To apply for a scholarship, students will complete an application and submit it to the school he/she is attending or enrolled. The schools forward the applications to you.

You select scholarship recipients from eligible applicants. You expect approximately T students to apply for the scholarships and estimate that 30 percent will be selected each year. Selection criteria includes:

- Financial need
- Test scores
- Prior academic performance
- Participation in extracurricular activities
- Essays and interviews, and
- Recommendations from applicant's teachers, coaches and mentors.

Your governing board will determine the number and amount of scholarship awards each year based on your available resources and the ranking of students' applications.

You will disburse scholarship awards directly to the schools in which the recipients are attending or enrolled to be credited to the students' accounts to be used only for qualified educational purposes. Funds are only to be applied if the student remains in satisfactory academic performance and remains in academic good standing. This means the student is on track to complete all requirements necessary to advance to the next grade level and has a cumulative grade point average of 2.0 or better (or the equivalent thereof based on the schools grading system). In addition, you will request progress reports from the schools confirming the recipients academic good standing and accounting of the scholarship proceeds.

Your selection committee is comprised of individuals who are not able to derive a private benefit, directly or indirectly, from any potential recipient. Disinterested members of the governing board or other disinterested persons selected by you, who have no business or familial relationships with applicants, make up the selection committee.

You ensure that the terms of the scholarship award cannot be violated through your method of disbursement to the schools directly. You will take the following steps to ensure that no scholarships are made to disqualified persons:

- The scholarship application and instructions state that disqualified persons are ineligible to apply for the scholarship.
- All applications will be inspected to ensure that no applicant is a disqualified person. You will maintain a list of disqualified persons. If it is discovered an applicant is a disqualified person, that applicant's application will be returned to him/her with a letter stating that they are ineligible to apply because they are a disqualified person.

- A list of tentative scholarship recipients will be distributed among the governing board for review to ensure that no disqualified person is included on the lists. If a disqualified person is found, applicant's application will be returned with a letter stating that they are ineligible to apply because they are a disqualified person. No potential scholarship recipient will receive notice of their award or receive funding until you confirm the selectee is not a disqualified person.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by the grantee are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

You represent that you will maintain all records related to the following: (1) individual grants including information to evaluate grantees, (2) grantees which are identified as a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you established supervision and investigation of the grants described above.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code Section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all the following requirements of Code Section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code Section 117(a).
- The grant is to be used for study at an educational organization described in Code Section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code Section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements